

MONTANA OPERATIONS MANUAL MANAGEMENT MEMO		Vol.	Year	No.
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	Date Issued	07/30/03		
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SUBJECT:	Accounting for Insurance Proceeds			

TO: All State Agencies

FROM: Accounting Bureau - Department of Administration

INTRODUCTION

This management memo is intended to ensure consistent accounting by all State Agencies for the receipt and expenditure of insurance proceeds. The procedures set forth in this memo continue to centralize payments related to the repair/replacement of insured State property with the Department of Administration (DofA), Risk Management and Tort Defense Division (RMTD), eliminating the need for other agencies to establish appropriations to spend insurance proceeds. This management memo supercedes 2-87-1 which should be removed from your manual and discarded.

ACCOUNTING PROCEDURES

The State's property insurance policy is administered by the RMTD. Insurance proceeds received by the State for damage to, or loss of, property will be recorded on SABHRS as revenue (using revenue class 585800 Insurance Proceeds) by the RMTD.

The RMTD will assess each agency a deductible per insurance claim. If an agency is repairing/replacing property with a value equal to or less than the deductible, the agency must inform the RMTD so the claim may be included in the state's total deductible.

If the cost to repair/replace the property is greater than it's insured value, the amount of that difference, plus the deductible, must be paid to the RMTD on an inter-unit journal (IUI) using the following entries:

Debit:	67703 Property Insurance Deductible Expenditure
Debit *:	63XXX (Related fixed asset expenditure account)
Credit:	1104 Cash

* - This amount (i.e. the difference between the properties insured value and the cost to repair/replace it) to an appropriate expenditure account (e.g. 63101 – Autos and Truck for the replacement of an automobile or truck).

When the agency incurring the loss receives an invoice for the repair/replacement of the property the agency should review the invoice and, if it is correct, forward the invoice with a copy of the IUI to the RMTD. The RMTD will pool funds from all sources used to repair/replace property and pay all related invoices.

Property Covered by Agency Administered Insurance Policies

Agencies may acquire insurance policies (with the RMTD's approval) to insure specific property not covered in the State's policy. The receipt of insurance proceeds (use revenue class 585800 Insurance Proceeds) and the associated expenditure accounts to repair/replace property covered by agency policies should be recorded on SABHRS by the agency incurring the loss.

Additional Procedures

- Competitive bidding to repair/replace insured property is the responsibility of the agency incurring the loss.
- Agencies should establish procedures to insure that SABHRS Asset Management is updated to reflect the retirement of any fixed assets lost or destroyed and to add any fixed assets purchased with insurance proceeds.

Conclusion

Accounting questions regarding this policy may be directed to the DofA Accounting Bureau (444-3092) and insurance questions to the RMTD (444-2421).